

## Message Text

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P R 161813Z SEP 76  
FM SECSTATE WASHDC  
TO AMEMBASSY CANBERRA PRIORITY  
INFO AMEMBASSY WELLINGTON

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E.O. 11652: N/A

TAGS: ETRD, EAGR

SUBJECT: MEAT IMPORT PROGRAM: MAYAGUEZ ISSUE

REF: CANBERRA 6616

1. THE FOLLOWING IS THE US RESPONSE TO THE AUSTRALIAN  
MEMORANDUM TRANSMITTED IN REFTEL. THE EMBASSY SHOULD  
CONVEY ITS FULL SUBSTANCE TO APPROPRIATE AUSTRALIAN  
OFFICIALS VERBALLY OR IN WRITING.

2. THE U.S. MEAT IMPORT PROGRAM, BASED ON VOLUNTARY  
RESTRAINT AGREEMENTS, PERMITS THE UNITED STATES GOVERNMENT  
TO MAINTAIN AS LIBERAL AND FLEXIBLE AN IMPORT REGIME FOR  
MEAT AS IS POSSIBLE CONSISTENT WITH THE MEAT IMPORT ACT OF  
1964. THE UNITED STATES IS BY FAR THE LARGEST IMPORTER OF  
MEAT AND, INDEED, THE ONLY MAJOR MARKET TO WHICH EXPORTERS  
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HAVE SIGNIFICANT ACCESS. AUSTRALIA IS, OF COURSE, THE

MAJOR SUPPLIER TO THE U.S., ACCOUNTING FOR MORE THAN HALF  
OUR TOTAL IMPORTS OF BEEF AND OTHER MEAT OF THE TYPE  
COVERED BY THE MEAT IMPORT ACT.

3. THIS YEAR THE MEAT IMPORT PROGRAM HAS BEEN SCRUTINIZED  
ESPECIALLY CRITICALLY BY THE DOMESTIC CATTLE INDUSTRY FOR  
SEVERAL REASONS. FIRST, OVERSHIPMENTS IN 1975 WHICH WERE  
PERMITTED ENTRY THAT YEAR WERE CITED AS EVIDENCE THAT THE  
VOLUNTARY RESTRAINT PROGRAM OFFERED INADEQUATE COMPLIANCE  
WITH THE INTENT OF THE MEAT IMPORT ACT. AUSTRALIAN MEAT  
ENTERED IN 1975 WAS 34.3 MILLION POUNDS IN EXCESS OF THE  
AGREED RESTRAINT LEVEL, MORE THAN THE TOTAL OF EXCESS  
ENTRIES FROM ALL OTHER SOURCES. IN ADDITION, MARKET  
CONDITIONS IN THE UNITED STATES DURING 1976 HAVE CREATED  
SERIOUS HARDSHIPS FOR DOMESTIC CATTLE INTERESTS, WHICH  
HAVE BEEN ESPECIALLY SENSITIVE TO PERCEIVED DEFICIENCIES  
IN THE MEAT IMPORT PROGRAM. IN THIS CONTEXT, MEAT  
PROCESSING IN THE FOREIGN TRADE ZONE AT MAYAGUEZ, PUERTO  
RICO FOR SUBSEQUENT ENTRY INTO THE UNITED STATES OUTSIDE  
OF THE MEAT IMPORT PROGRAM HAS BEEN SEEN AS AN UNACCEPTABLE  
EVASION OF THE PURPOSE OF VOLUNTARY RESTRAINT AGREEMENTS.

4. THE US GOVERNMENT RECOGNIZED THAT OPERATIONS IN FOREIGN  
TRADE ZONES THREATENED THE VIABILITY OF THE MEAT IMPORT  
PROGRAM AND FORMALLY EXPRESSED ITS CONCERN IN THIS REGARD  
TO THE GOVERNMENT OF AUSTRALIA IN EARLY JUNE. WE  
APPRECIATED THAT COOPERATION BETWEEN OUR TWO GOVERNMENTS  
IN DEALING WITH THIS PROBLEM WOULD LIKELY INVOLVE POLITICAL  
COSTS IN BOTH COUNTRIES. WE WERE NONETHELESS HOPEFUL THAT  
A COMPROMISE SOLUTION COULD BE FOUND THAT WOULD PRESERVE  
THE MEAT IMPORT PROGRAM AND THEREBY AVOID ALTERNATIVE  
CONSEQUENCES WHICH BOTH GOVERNMENTS MIGHT FIND LESS ATTRAC-  
TIVE.

5. WE WERE, THEREFORE, GRATIFIED TO LEARN IN AN AIDE  
MEMOIRE FROM THE AUSTRALIAN EMBASSY AUGUST 30 THAT THE  
AUSTRALIAN GOVERNMENT WAS PREPARED TO DISCUSS WITH UNITED  
STATES AUTHORITIES AN AMENDMENT TO THE RESTRAINT AGREEMENT.  
AS A RESULT OF DISCUSSIONS AUGUST 31 WITH THE AUSTRALIAN  
COMMERCIAL MINISTER, J.T. SMITH, WE WERE LEAD TO BELIEVE THA  
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AN ACCEPTABLE COMPROMISE WOULD BE POSSIBLE INVOLVING ENTRY  
WITHOUT RESTRAINT OF MEAT ON TWO SHIPS DEPARTING AUSTRALIA  
BY SEPTEMBER 1 AND AN AMENDMENT TO OUR BILATERAL RESTRAINT  
AGREEMENT TO COVER MEAT IMPORTED AFTER PROCESSING IN  
FOREIGN TRADE ZONES. ASSUMING THAT MR. SMITH WAS AUTHORIZED  
BY HIS GOVERNMENT TO RAISE A COMPROMISE OF THIS CONSEQUENCE,  
WE REACHED AN URGENT DECISION INVOLVING THE HIGHEST LEVEL  
OF THE U.S. GOVERNMENT TO ACCEPT THIS SOLUTION. OUR DECISIO

WAS GIVEN THE AUSTRALIAN EMBASSY ON SEPTEMBER 3 ALONG WITH  
A PROPOSED DRAFT AMENDMENT.

6. CONSEQUENTLY, WE WERE GREATLY SURPRISED WHEN WE WERE  
INFORMED SEPTEMBER 10 THAT THE GOVERNMENT OF AUSTRALIA  
WAS NOT WILLING TO AMEND THE RESTRAINT AGREEMENT AND WOULD  
AGREE ONLY TO REFRAIN FROM SHIPPING MEAT TO MAYAGUEZ  
PENDING THE OUTCOME OF RELEVANT LITIGATION IN U.S. COURTS.  
ON SEPTEMBER 13, THE AUSTRALIAN EMBASSY INFORMED US THAT  
THE GOVERNMENT OF AUSTRALIA COULD AGREE TO AMEND ITS  
RESTRAINT AGREEMENT TO INCLUDE MEAT ENTERED INTO THE U.S.  
AFTER PROCESSING IN FOREIGN TRADE ZONES PROVIDED MEAT ON  
THE SHIP BANAGRANDE WAS ALLOWED TO ENTER FREE OF RESTRAINT  
AND PROVIDED SIMILAR AMENDMENTS WERE NEGOTIATED WITH OTHER  
PARTICIPATING COUNTRIES.

7. HAVING GAINED ONLY RELUCTANT ACCEPTANCE BY OUR DOMESTIC  
INTERESTS OF THE COMPROMISE PROPOSAL DISCUSSED AUGUST 31,  
WE WERE UNABLE TO ACCEPT THE REVISED PROPOSAL MADE BY THE  
AUSTRALIAN SIDE SEPTEMBER 13. IN EXPLAINING THIS POSITION  
US AUTHORITIES REFERRED TO LEGISLATION UNDER CONSIDERATION,  
WHICH HAD ALREADY BEEN INTRODUCED, AND TO THE LIMITATIONS  
ON OUR FLEXIBILITY WHICH WOULD BE POSED BY MANDATORY  
QUOTAS. OUR ABILITY TO DEAL WITH BOTH THESE ISSUES WOULD  
BE IMPAIRED IF IT WERE NOT POSSIBLE TO CONCLUDE AN AGREE-  
MENT ALONG THE LINES OF THE COMPROMISE DISCUSSED IN  
WASHINGTON AUGUST 31. HABIB

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